

## PENSIONS FUNDING ADVISOR

Bringing you the latest pensions funding news...

### Funding Barometer

Pensions & balance sheet volatility

#### Aon200 Index

An aggregate deficit of £21bn recorded at the end of July by the Aon200 Index represents a £9bn improvement over the month. The credit crunch is said, by Aon, to have encouraged schemes to shun equity investments in favour of a wider range of alternatives.

#### Morgan Stanley

Morgan Stanley's 'Valuation & Accounting' report outlines the effect of the equity market sell-off. Unless markets recover Morgan Stanley expects pension risks to "weigh on stocks for the next 18 months". They highlight underweighting British Airways, Trinity Mirror and Go-Ahead, as companies that are "most exposed to pension risk".

#### KPMG

KPMG's 2008 Pensions Repayment Monitor reveals that 6/10 FTSE100 companies may be paying too much into their schemes; some by as much as £20m per year. KPMG warns that trustee demands for further funding from already cash-strapped sponsors could lead to a "pensions crunch".

### Working Relations

Pensions & employee / employer interactions

#### Prysmian Cables

Industrial action has been temporarily halted at Prysmian Cables, a telecoms and high-tech cables company, after trade union Unite and the company agreed to restart talks. The dispute was over the threatened closure of members' defined benefit pension scheme and transfer into a defined contribution scheme.

#### Tube Lines

Tube Lines has denied claims it was in negotiations with trade union RMT regarding transfer of all members into the Transport for London's DB scheme. The scheme was closed to new entrants in 2003 and instead a DC scheme opened for new entrants.

**We welcome your feedback;** please do contact us with any comments or queries - 020 7092 6730.

Disclaimer - these feeds are sourced from independent third parties; including Pensions Week, Professional Pensions, PA News, FT, NAPF, efinancialnews.com, IPE.com, Reuters and a wide variety of other sources. Valiance Limited is not responsible or liable for their contents.

#### TUC

The TUC is launching a pensions charter encouraging trustees to work to the same principles and cooperate more. The TUC is calling for the government to focus more on member interests by ensuring half of all trustee boards are member nominated.

### Black Hole Observatory

How some companies are tackling pensions risks

#### Woolworths

Woolworths' pension scheme deficit has doubled to nearly £100m. A consortium has made a £50m approach to buy the company's retail chain but was rebuffed by the retailer's board. The approach was predicated on the Woolworths board agreeing to retain all the pension liabilities, which the company deemed "unacceptable".

#### Menzies, Persimmon & Rentokil

The John Menzies DB scheme moved from having a fully-funded surplus to a deficit, due in part to increased liabilities and also to negative returns on assets. Persimmon reported an increase in its pension deficit. However, Rentokil turned around its scheme deficit and announced a surplus following the release of additional deficit contributions through an escrow account.

#### Aon Consulting

Aon warns trustees not to get too complacent about sponsor insolvency measures used by the Pension Protection Fund. Aon claims the Dun & Bradstreet failure score does not necessarily reflect short-to-medium risk accurately and an economic downturn may not have been factored into the modelling.

### Regulatory News

The pensions legal & regulatory context

#### Accounting Standards Board (ASB)

Mike O'Brien, the UK minister for pensions reform, has expressed concerns that the changes to financial reporting of pensions proposed by the ASB could "hasten" the closure of defined benefit schemes. Concerns relate to the proposal to switch the discount rate from a corporate bond to 'risk-free' government gilts.

#### The Pensions Regulator (TPR)

TPR has removed authority for 29 pension schemes from an independent trustee firm. The schemes were under the control of GP Noble but are now under the trusteeship of Independent Trustee Services. Clients were switched after the PPF raised concerns to the regulator. The SFO has made three arrests.